GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2036
ANSWERED ON:30.11.2007
REPO RATE
Lagadapati Shri Rajagopal

Will the Minister of FINANCE be pleased to state:

(a) the number of times Reserve Bank of India (RBI) has increased / decreased the Repo rate during the last three years;

(b) whether Government has assessed the impact of increase of Repo rate on the customers, particularly for home loan, personal loan and auto loan;

(c) if so, the details thereof;

(d) whether the Government proposes to decrease the Repo rate; and

(e) if so, the details thereof along with guidelines issued by RBI in this regard?

Answer

THE MINISTER OF THE STATE IN THE MINISTRY OF FIANNCE (SHRI PAWAN KUMAR BANSAL)

(a) In view of the current macroeconomic and overall monetary conditions, Reserve Bank of India has increased the Repo Rate from 4.50 % as on 31st March 2004 to 7.75% effective from 31st March, 2007 in 9 spells.

(b) & (c) : The Repo Rate does not have linear impact on the rates of interest, which are also affected by other factors like Cash Reserve Ratio (CRR), Bank Rate, Repo Rate, cost of funds, operating expenses, transaction cost, risk, etc. The interest rates are determined by the banks themselves with the approval of their Board of Directors after taking into consideration the above factors. However, consequent to increase in Repo Rate, most banks have raised their Benchmark Prime Lending Rate (BPLR) during the last three years.

(d) & (e) : In the Mid-Term Review of Annual Policy for the year 2007-08, RBI has indicated to continue with its policy of active demand management of liquidity through appropriate use of the CRR and open market operations, including the Market Stablisation Scheme and the Liquidity Adjustment Facility, using all the policy instruments such as Repo Rate, Reverse Repo Rate, etc. at its disposal flexibly, as and when the situation warrants.